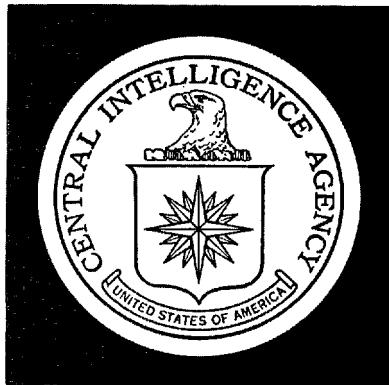


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DIRECTORATE OF  
INTELLIGENCE

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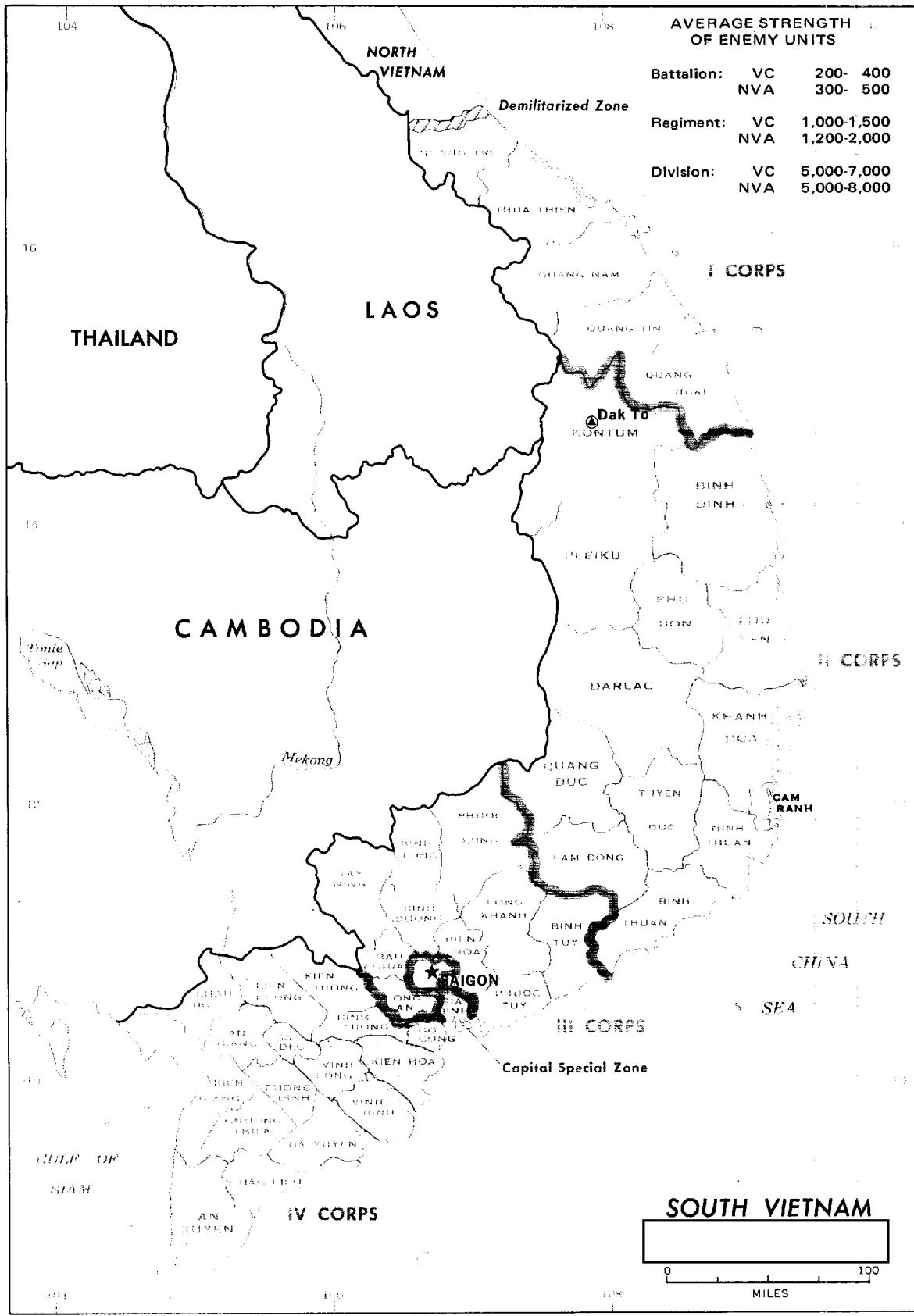
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**C** South Vietnam: Military activity resumed throughout South Vietnam on 31 May following the Buddha's birthday standdown periods observed by Communist and allied forces.

During the 24-hour allied period, a total of 79 major and 68 minor enemy violations were recorded with many of these taking place in I and III corps. Most of the incidents consisted of small-unit skirmishes and encounters with reconnaissance patrols. The most significant fighting that developed during the holiday period was a battle eight miles southwest of Dak To where South Vietnamese troops engaged a well dug-in enemy force estimated to be larger than a battalion. No friendly or enemy casualties have been reported as the contact continues.

\* \* \* \*

With an eye to President Thieu's forthcoming meeting with President Nixon on 8 June, South Vietnam and South Korea have taken a strong stand for hard-line allied policies across the board in negotiating with the Communists.

A joint communiqué wrapping up Thieu's four-day visit to South Korea gave only lukewarm endorsement to President Nixon's recent peace initiatives and reaffirmed that the 1966 Manila Conference statement remains the basis of the allied position. The communiqué advises against any early de-escalation of allied military operations in South Vietnam by saying that both military and diplomatic efforts should be continued until a lasting peace is secured.

Presidents Thieu and Pak took an especially tough stand on the matter of troop withdrawals and did not acknowledge Saigon's earlier assertions that some US forces could be replaced by South Vietnamese troops by the end of 1969. The communiqué says that ]

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C "any withdrawal" of allied forces should be subject to full allied consultations. It also declares flatly that in the absence of corresponding action by the Communists, unilateral withdrawal "of even a part of allied troops" would prejudice the security of the remaining allied forces. This seems to reflect concern not only with the negotiations, but also with the prospect of US steps to "Vietnamize" the war.

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Israel-Jordan: [redacted]

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[redacted] the situation in the Jordan Valley is becoming "dangerously warm."

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There is no clear indication as to what action the Israelis intend to take. They have already retaliated with air strikes, artillery barrages, and last week a ground operation across the border. An Israeli military spokesman, however, told the press recently that "we've been treating the Jordanians with kid gloves so far."

King Husayn, like Nasir, probably believes he must focus world attention on the border in order to put pressure on the Big Four powers to step up their deliberations. He may also be trying to combat what appears to the Arabs to be a tendency to treat the cease-fire lines as permanent borders. Husayn has recently expressed deep concern over Israel's settlements in former Jordanian territory and over Israeli fortifications along the Jordan River. Repeated Israeli public statements to the effect that, short of an acceptable peace settlement, the Israelis intend to stay put also are a continuing source of frustration. [redacted]

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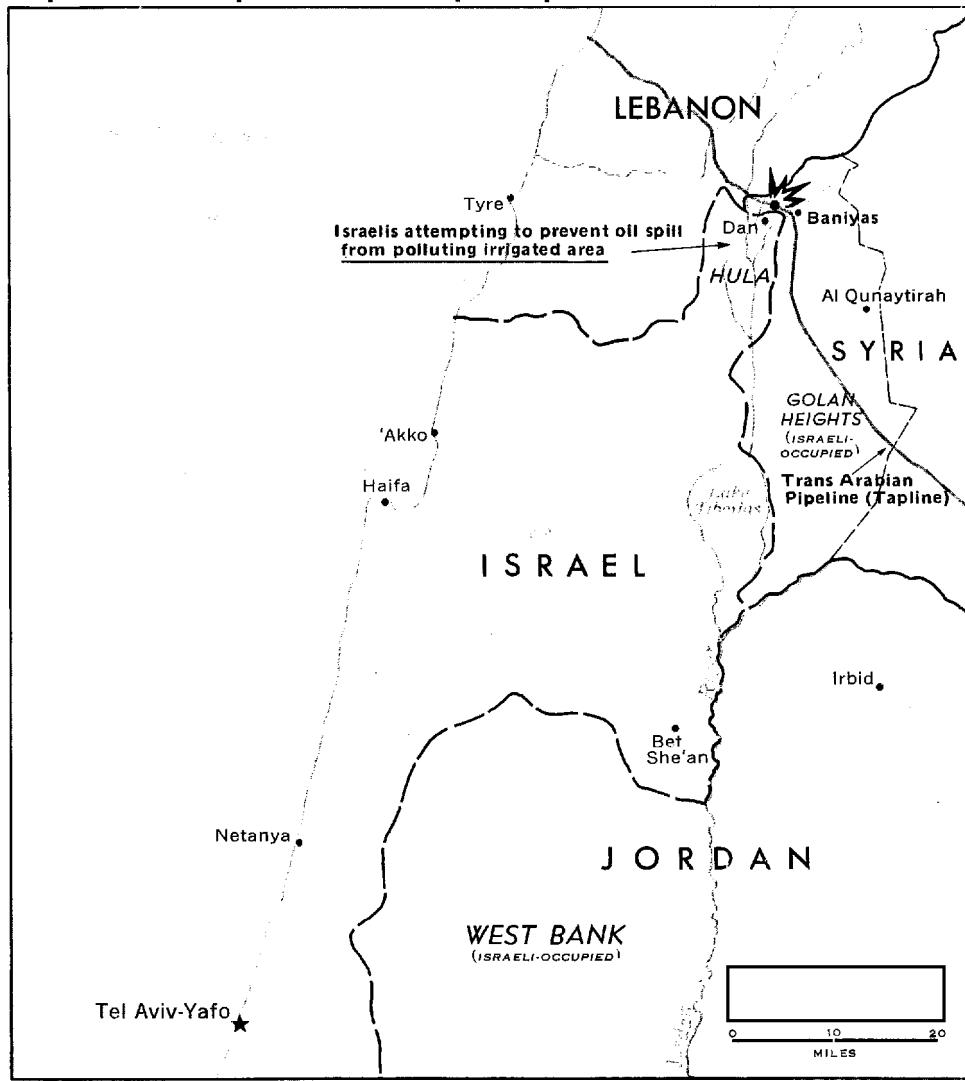
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### Tapline Blown Up in Israeli-Occupied Syria



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**Middle East:** Last night the US-owned pipeline carrying oil from Saudi Arabia to the Mediterranean was blown up in Israeli-occupied Syria.

Saboteurs, presumably Arab fedayeen, blew up the 36-inch pipe near the town of Baniyas, allowing the oil to flow down toward Hula, Israel's largest irrigated area and the headwaters of the Jordan River. Israeli authorities are attempting to close an emergency pipe valve, while bulldozing dams to contain the oil spill. The oil flows by gravity at the rate of 18,000 gallons per minute and could cause massive pollution of Israel's water resources if not checked.

The incident will raise serious political and diplomatic problems for both the Trans Arabian Pipeline Company (Tapline) and the countries through which it passes. Other Arab states may censure those countries which have benefitted financially from oil passing through Israeli-occupied Arab territory. Israel may feel that now it has a good excuse to cut the flow of premium Arab oil to the Mediterranean, especially since its own pipeline bypassing the closed Suez Canal is scheduled for completion late this year.

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Malaysia: The security situation is returning to normal, but Malay officials expect a long period of emergency government.

Although communal tensions remain high, only isolated cases of arson and shooting are being reported, mostly in Kuala Lumpur. Curfews have been largely suspended during daylight hours but are expected to remain in force at night for some time in formerly troubled areas.

Chinese opposition leaders seem inclined, for the time being at least, to restrain their followers from retaliating against Malay excesses. The Chinese community, however, is bitter and resentful. Most Chinese are convinced that the initial rioting on 13 May was either organized in advance by local Malay officials or could have been averted by them.

The Chinese fear, moreover, that the Malay leaders intend to perpetuate present government emergency powers. This fear and resentment, if not eased by Malay concessions, will heighten the danger of further communal violence and open the way for the growth of Communist influence in the Chinese community.

Meanwhile, Malay exultation at having bested the Chinese has given way to fears of Chinese retaliation. The more chauvinistic Malay elements are in the ascendancy, and there is growing pressure for greater political solidarity along racial lines.

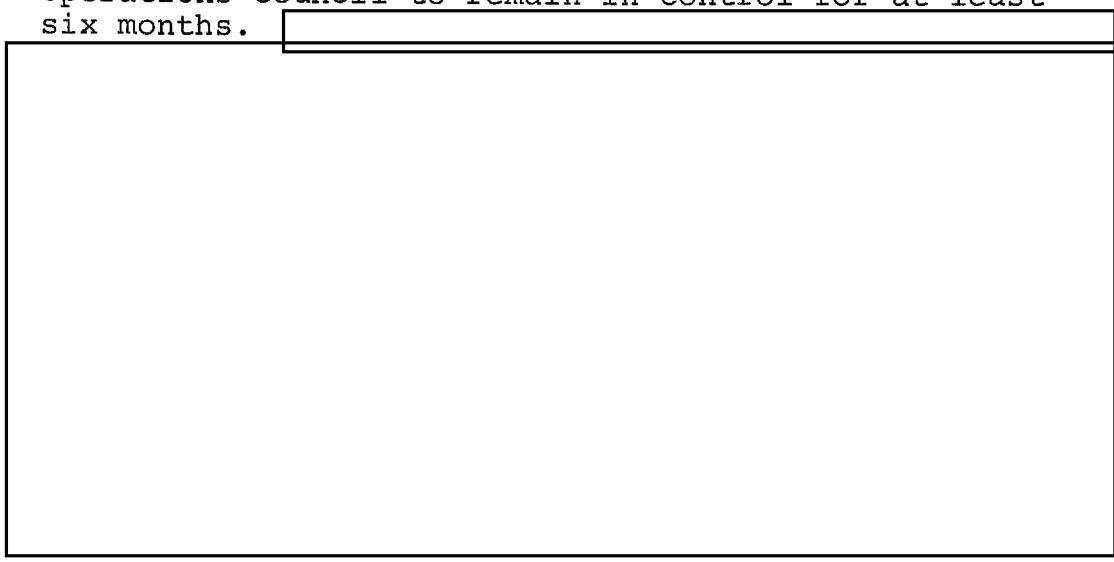
Most Malay leaders, as well as the rank and file, seem to be in accord with the need to shelve Prime Minister Rahman, whose policies of compromise with the Chinese are regarded as largely responsible for the Alliance's setback in the election of 10 May.

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The dominant figures in the emergency regime, Deputy Prime Minister Razak and Home Minister Ismail, have said that they expect the all-powerful National Operations Council to remain in control for at least six months. [redacted]

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**L**Argentina: Yesterday's 24-hour general strike joined by students has seriously impaired the thoroughly progressive image of the Onganía government.

The strike, held to protest the government's labor policies and its alleged use of excessive force to suppress student demonstrations since 15 May, was successful despite the government's attempts to head it off. These measures had included issuing a ban on the strike; authorizing the establishment of military courts to try persons accused of a wide variety of crimes affecting national security; and placing military forces at the disposition of provincial governors where required.

The strike actually began at noon on 29 May when workers in the industrial center of Cordoba left their jobs and marched on the center of the city. Police gunfire killed at least three workers, and some of the other marchers began burning stores and sniping at police. The sniping continued even after military forces took control of the city to restore order; one soldier was killed and several wounded.

Elsewhere the strike itself apparently took place without major violence. Nearly all unions took part; this was the first important example of joint action by two major union blocs since the split in the National Labor Confederation in 1967. The collaboration of workers and students may be an additional sign of future problems awaiting the government. While the Onganía administration has the power to control the unrest, it may be forced to adopt a much more authoritarian stance which could seriously impair its reasonably progressive image.

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Cuba: Fidel Castro has acknowledged that this year's sugarcane harvest is faring badly.

Castro referred to the harvest as "the agony of this country" in a speech on 26 May. He admitted that with the harvest 85 percent complete, sugar production amounted to only 4.28 million metric tons. Total production probably will not exceed 4.7 million tons, compared with 5.2 million tons in 1968.

Castro attributed this year's poor performance to sharply reduced milling yields, organizational problems, the lack of skilled technicians, and difficulties caused by the extensive preparations being made for the 10-million ton harvest scheduled for next year.

The 10-million ton crop in 1970 is more improbable than ever in light of this year's harvest. Although supplies of cane and milling capacity may be sufficient to reach this goal, there is little prospect that Cuba will be able to marshal enough men and machinery to harvest the requisite amount of cane. Cuba's capacity to harvest cane apparently is not much higher than in 1967, when 6.1 million tons of sugar were produced.

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Peru: The Communist national labor federation is making gains at the expense of the APRA federation, which has long dominated the Peruvian labor scene.

Julio Cruzado, secretary general of the APRA labor federation, blames its decline on lack of support from individual APRA union leaders, the subordination of the federation's activities to the party's political considerations, and internal disputes. He specifically criticized those APRA labor leaders who have attacked as a "sell-out" the federation's posture of "accommodation" toward the military government.

The Communist labor federation is making advances in the mining, metal, and sugar industries, particularly in unions at US-owned enterprises. Some observers believe that the government will soon be forced to grant it official recognition.

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Burma: The government's position in insurgent areas along the Chinese border may have been further weakened.

About 3,000 of up to 10,000 ethnic minority militiamen in northeast Burma withdrew their cooperation from the Burmese Army this week, [redacted]

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[redacted] Their action apparently was spurred by a government crackdown on smuggling and black marketeering in the area and by demoralization from heavy casualties in recent heavy fighting with Chinese Communist - backed insurgents.

The militia are former non-Communist insurgents who in late 1967 agreed to assist the Burmese Army's anti-Communist operations in return for the government's turning a blind eye to their opium-running and smuggling. Dissension between Burmese Army units and these forces reportedly has been increasing for some months.

The Burmese Army, which has found its efforts in northeast Burma complicated by difficult terrain populated by hostile minorities, has relied heavily on these armed tribesmen in the border area. The government's recent abandonment of a border strip to Communist insurgents may have been partially prompted by the undependability of some militia units. For the time being, the tribesmen appear simply to have withdrawn their support from the government without renewing active insurgency. [redacted]

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Indonesia-Australia: Indonesian forces are intermittently pursuing West Irian dissidents across the border into Australian Papuan New Guinea, despite Djakarta's assurances that such border crossings would cease.

Both governments are giving increased attention to the border area since an incident in late April when Indonesian troops--attempting to dislodge suspected West Irian dissidents from a border camp--crossed into Australian territory and fired on Australian forces. Approximately six incidents have been reported since then.

Indonesian concern over the possibility of anti-Indonesian operations being carried out from Australian territory is apparently not without some foundation. [redacted]

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border incidents can be expected throughout the summer as Djakarta carries out the act of free choice in West Irian. Australia and Indonesia will seek to improve cooperation on border problems and to prevent them from jeopardizing their good relations.

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USSR: A new period of intense and more open politicking among the top leaders over agricultural policy may be in the offing.

In an unusual public stand, politburo member Voronov has lent his full personal support to the controversial "link" approach to organizing farm labor. Voronov, who is also premier of the Russian Republic (RSFSR), defended the long-debated link system in a recent newspaper interview. No member of the politburo has commented so vigorously in public on a controversial issue since late 1967, when Polyansky spoke out in an effort to prevent further cuts in agricultural investments.

Essentially the link is a small mechanized team of workers assigned for an extended period of time to a particular section of the farm. The link is responsible for the entire production cycle and is paid on the basis of the final results. This contrasts with the system now predominant in the USSR, under which peasants are organized into brigades based on the type of work performed and are paid primarily on a piece-work basis.

Official supporters argue that the link approach has distinct advantages in terms of both efficiency and output. Conservatives, however, oppose the system on ideological grounds. They fear that it will foster private property instincts and fragment central control. Efforts to promote variations of the link system, dating back to Stalin's day, have all foundered on this conservative resistance.

In March, however, supporters of the link system won a victory when the RSFSR passed a decree approving the system in principle. The decree called for widespread experimentation to prepare for the conversion of all the farms in the RSFSR to the system. In addition, the newly published draft of a

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Soviet collective farm charter endorses the link as one of the accepted forms of labor organization. Voronov's defense of the link now, however, may mean that some of his politburo colleagues still have serious misgivings.

Both sides in the debate appear to be overstating the economic and administrative importance of the link system. If indeed there have been successes, they stem in part from favored treatment in the form of the best equipment and manpower. Fears of the conservatives that the state's control over agriculture will be weakened seem unfounded as long as the state controls prices and the allocation of scarce inputs such as fertilizer and machinery.

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Nordic Economic Union: The movement building up early this year for a Nordic Economic Union (NORDEC) of Denmark, Finland, Norway, and Sweden seems to have lost momentum.

From the outset the NORDEC scheme encountered stiff resistance in all four countries from economic interests unwilling to make the necessary sacrifices. Now many of these interests, especially in Norway and Denmark, are arguing that De Gaulle's resignation has opened up new prospects for European integration to which any plan for Nordic integration would be detrimental. Some Scandinavian officials believe that only limited Nordic integration could be achieved in the face of such resistance. They concede that the recommendations of the experts for a NORDEC treaty, due on 15 July, will be loaded with withdrawal and termination clauses.

Swedish leaders, the most active in selling the NORDEC idea, have met privately with the Finns and, also, with the Norwegians since De Gaulle's resignation. The Swedes apparently fear that Denmark and Norway will enter the Economic Communities and leave Sweden out in the cold. To make NORDEC more attractive to the other Scandinavian countries, Stockholm has expressed its willingness to increase the Swedish contribution to the proposed Nordic economic adjustment funds.

The concept of Nordic integration still has wide popular support in Scandinavia. The Nordic governments can, therefore, be expected to temporize on NORDEC, at least until after the Norwegian and Finnish parliamentary elections in September 1969 and March 1970 respectively.

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NOTE

Arab States: There may be demonstrations in various Arab capitals next week on the second anniversary of the Arab-Israeli war of June 1967. In Libya, security forces in the eastern province have been placed on alert, all leaves have been canceled, and troops guarding official buildings have been strengthened. The Libyan Government is taking these measures to prevent a recurrence of the demonstrations in June 1967 which caused serious damage to US and other Western installations. These measures may, however, be strictly precautionary, since on several previous occasions rumored demonstrations have failed to materialize.

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